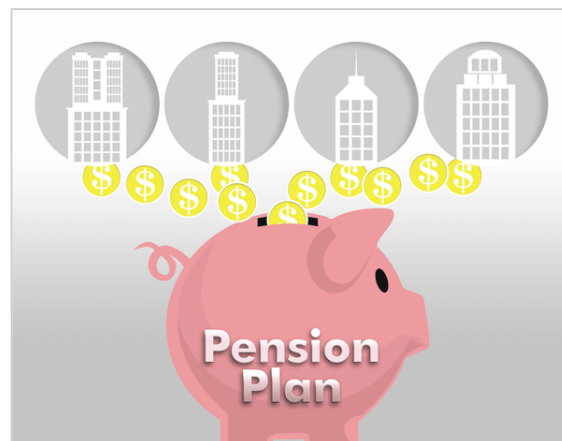


An analysis of multiemployer pension plans

By William J. Wiatrowski

About 1 in 4 workers currently covered by a traditional pension plan is in a multiemployer plan, established by a labor union and an industry or trade group to cover workers from two or more related employers. Through collective bargaining, employers agree to fund these plans with contributions to a pension trust fund based on employee hours worked. Multiemployer pension plans were created under the Labor Management Relations Act of 1947, known as the Taft-Hartley Act, and are often established in industries where workers move from job to job, such as construction or trucking.¹ According to U.S. Department of Labor data, there were 1,442 multiemployer defined-benefit plans in 2011, covering 4.2 million active employees.²



Traditional pension plans, known as defined-benefit plans, provide periodic (often monthly) payments for life that are determined based on a fixed formula. These plans have been offered less often in recent years; replaced in many cases by defined-contribution plans, such as 401(k) plans, which identify employer and employee contributions but do not guarantee future benefits. This analysis focuses on defined-benefit plans.

In private industry, retirement plans are generally single employer or multiemployer, with single-employer plans established by one employer specifically for their employees as opposed to multi-employer arrangements. Single-employer plans can be established through collective bargaining and can cover union workers, but they are limited to one employer. Although the number of single-employer plans and participants far outnumber multiemployer plans and participants, the shift from defined-benefit to defined-contribution plans is much more prevalent among single employers. Today, defined-contributions plans are predominant among single employers. The picture for multiemployers is more mixed, with similar numbers of defined-benefit and defined-contribution plans.

The U.S. Department of Labor has two programs that track information about retirement benefits. The Employee Benefits Security Administration (EBSA) tabulates data from the Form 5500 series, an annual mandatory reporting of certain retirement plan details. The Bureau of Labor Statistics (BLS) explores the features of retirement plans through its annual National Compensation Survey (NCS), a voluntary survey of employers yielding information on the coverage, cost, and provisions of various components of compensation, such as wages, health insurance, and retirement plans.³ This issue of **Beyond the Numbers** uses data from both sources to look at trends in multiemployer defined-benefit plan coverage. This article also focuses on certain plan features, including some of the unique characteristics of defined-benefit plans designed to support employees who have multiple jobs throughout their career.

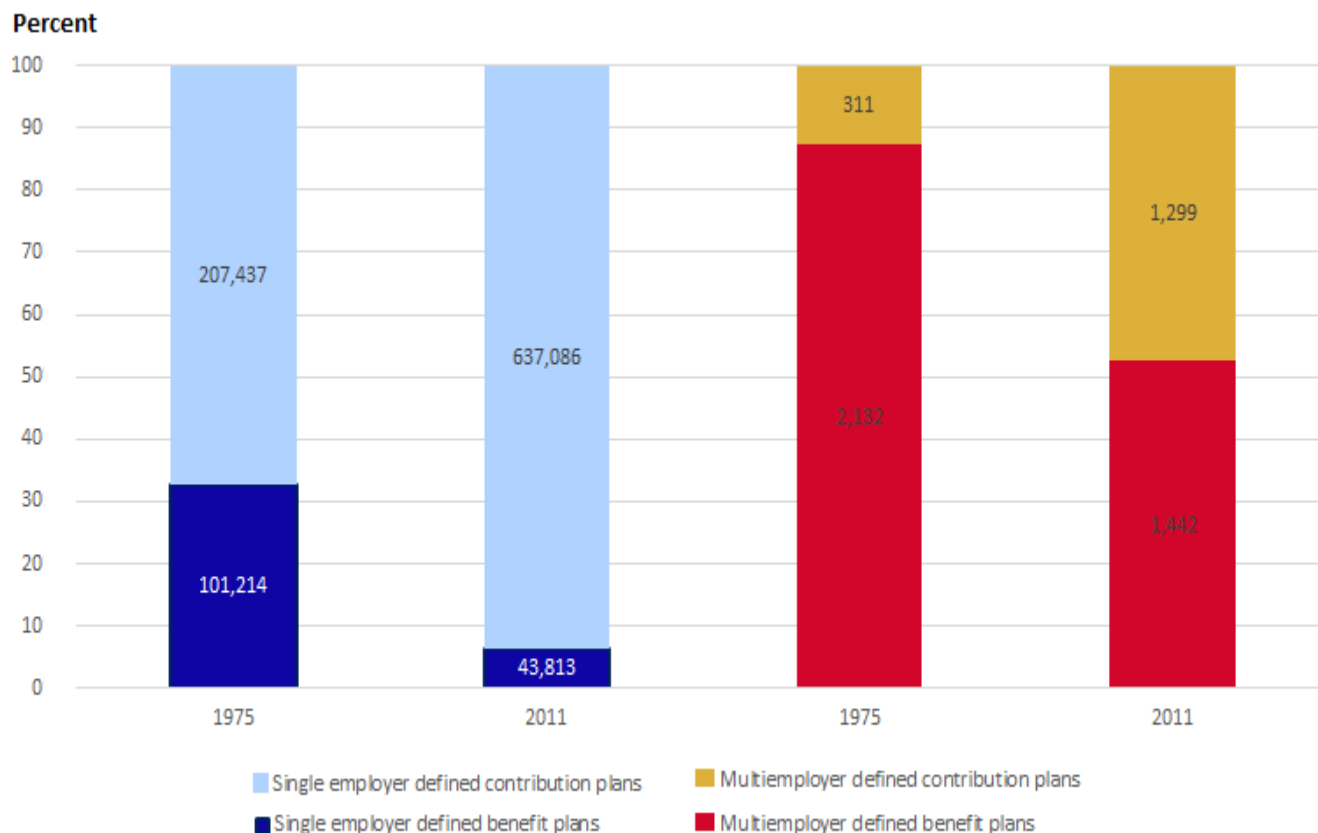
Coverage

There are many ways to count retirement plans, and to analyze change to those plans over time. Data from the Form 5500 series contain the number of plans, the total number of participants (including active participants, annuitants, those vested but not yet receiving benefits, and those receiving survivor benefits), and, separately, the number of active participants.⁴

In 2011, there were nearly 44,000 single-employer defined-benefit plans, less than half the total in 1975, when data were first available. In contrast, the number of multiemployer defined-benefit plans dropped by about one-third over the same time period, from 2,132 to 1,442. As evidence of the shift away from defined-benefit plans, such plans represented about

33 percent of all single-employer plans in 1975 but only 6 percent of all plans in 2011. Defined benefit plans dominated the multiemployer landscape in 1975, making up 87 percent of all multiemployer retirement plans. Since 2002, the number of multiemployer defined-benefit and defined-contribution plans has been roughly evenly split. (See chart 1.)

Chart 1. Number of retirement plans and share of total plans, 1975 and 2011



Source: Form 5500 filings with the U.S. Department of Labor.

Data on the number of plan participants tell a different story. Table 1 shows the number of total and active participants and the percentage of total who are active participants. For both single and multi-employer plans, the share of defined-benefit plan participants who are actively accruing benefits has dropped from about 80 percent to 40 percent. This trend may be due to the general movement away from defined-benefit plans, especially among single employers, meaning that new entrants are not replacing retirees.

Table 1. Number of defined benefit plan participants, 1975 and 2011 (Numbers in thousands)

Plan type	1975	2011
Single employer plans		
Total participants (1)	24,514	30,443
Active participants	20,129	12,327
Active participants as percent of total	82.1	40.5
Multiemployer plans		
Total participants (1)	8,490	10,433
Active participants	7,086	4,180
Active participants as percent of total	83.5	40.1

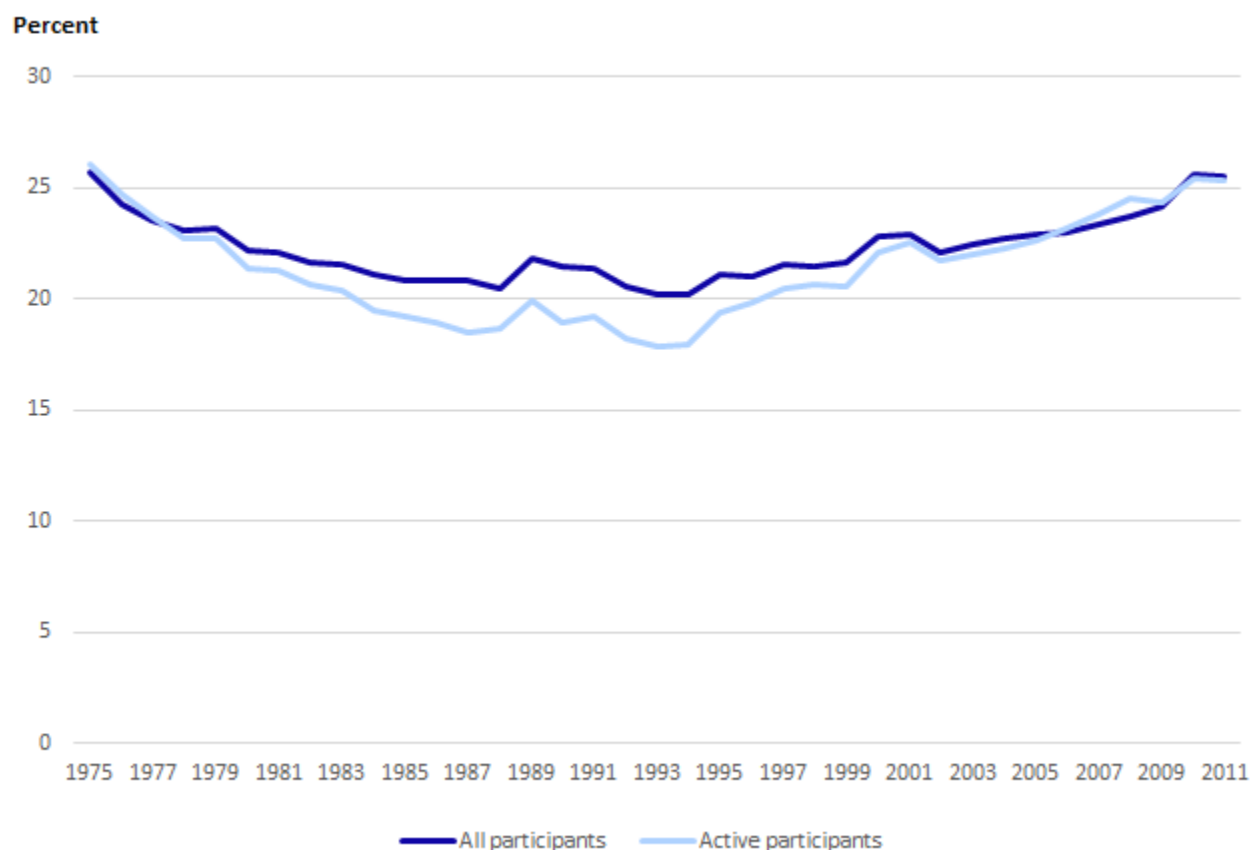
Footnotes:

(1) Total participants include active participants (those currently working and accruing benefits) as well as annuitants, those vested but not yet receiving benefits, and those receiving survivor benefits.

Source: Form 5500 filings with the U.S. Department of Labor

In addition, the distribution of defined-benefit plan participants by sponsor in 2011 is similar to what it was in the mid-1970s. In 2011, about 1 in 4 defined-benefit participants were in multiemployer plans and about 1 in 4 active defined-benefit participants were in multiemployer plans. Although these shares were lower during the 1990s, they are similar to those identified in 1975, the first year in which data were available. (See chart 2.)

Chart 2. Percent of defined benefit participants in multiemployer plans, 1975–2011



Source: Form 5500 filings with the U.S. Department of Labor.

This **Beyond the Numbers** article was prepared by William J. Wiatrowski, economist in the Office of Compensation and Working Conditions, U.S. Bureau of Labor Statistics. Email: wiatrowski.william@bls.gov, telephone: (202) 691-6300.

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